



**King County Mental Health Chemical Abuse and Dependency Services Division
2006 Briefing Paper**

Funding for Medicaid Mental Health Services

BACKGROUND:

The rates that Regional Support Networks (RSNs) receive for the provision of Medicaid-covered mental health services are based on an actuarial study that determines the actual costs to RSNs of providing these covered services. Due to insufficient state match being available, the state set rates at the bottom of the actuarial rate ranges. The result is that Medicaid funding for FY2006 is far less than the costs to RSNs of providing mandated Medicaid services. The Department of Social and Health Services has told RSN Administrators that the Governor will propose a supplemental appropriation to bring Medicaid rates for each RSN up to the middle of its actuarial rate range. This will prevent an erosion of services which would lead to a "death spiral" of service cuts leading to lower actuarial rates, leading to further service cuts, leading to further cuts in federal funding.

ISSUES/CHALLENGES:

- Medicaid is an entitlement program and an RSN must provide all medically necessary services to everyone who is eligible. RSNs are at risk if costs exceed revenues.
- The state has added a number of new service and administrative requirements that will significantly increase costs for RSNs.
- The actuarial study showed the King County provided services in 2004 that merited a much higher rate than it will receive in 2006. In other words, the costs of services King County actually provided in 2004 were higher than the revenue it will receive in 2006.
- The state expects "low-performing RSNs to increase Medicaid services, and "high-performing" RSNs such as King County to reduce services, but has admitted there is no evidence to establish what level of service is appropriate or needed in each RSN.

DATA:

- King County's actuarially determined rate would have yielded \$13 million more than the final rate set by the state.
- In FY2004, King County provided 34.4 % of Medicaid service hours while receiving only 23.8% of Medicaid funds.
- According to a recent analysis by MCPP Healthcare Consulting Inc., FY2006 Medicaid revenues were set at \$64 million less than FY2006 projected Medicaid costs.

RECOMMENDATION/LEGISLATIVE ACTION:

- Medicaid funds: Secure sufficient additional state match funds to achieve adequate Medicaid rates. Request a \$22 million supplemental budget (effective date April 1, 2006) for Medicaid services statewide.